

## Message Text

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ORIGIN AGR-20

INFO OCT-01 IO-14 RSC-01 AID-20 EB-11 AF-10 ARA-16 EA-11

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FM SECSTATE WASHDC

TO AMEMBASSY ROME

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FODAG

E.O. 11652: N/A

TAGS: FAO, EAGR, OCON

SUBJECT: INTERNATIONAL FERTILIZER SUPPLY SCHEME

1. FODAG IS REQUESTED TO TRANSMIT THE FOLLOWING TO THE DIRECTOR-GENERAL OF FAO IN RESPONSE TO HIS LETTER (REF. G/2-AGS) TO THE SECRETARY DATED JULY 30, 1974.
2. QUOTE AS THE DIRECTOR-GENERAL IS AWARE, THE U.S. DELEGATION TO THE SIXTY-THIRD SESSION OF THE FAO COUNCIL SUPPORTED RESOLUTION 1/63 ESTABLISHING AN INTERNATIONAL FERTILIZER SCHEME. THE UNITED STATES IS APPRECIATIVE OF THE PROMPT ACTION TAKEN IN ESTABLISHING THE MACHINERY WITHIN FAO TO IMPLEMENT THIS COUNCIL-APPROVED SCHEME.
3. IN ADVANCE OF THE COUNCIL'S ACTION, THE U.S. GOVERNMENT TOOK MEASURES TO ASSIST DEVELOPING COUNTRIES IMPROVE THEIR DOMESTIC FERTILIZER PRODUCTION. LAST DECEMBER, THE

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U.S. GOVERNMENT, IN CONSIDERING WORLD FERTILIZER PROBLEMS,

ASSIGNED HIGHEST PRIORITY TO THE MATTER OF INCREASING THE OUTPUT OF EXISTING FERTILIZER PLANTS IN DEVELOPING COUNTRIES. TELEGRAMS WERE SENT TO 22 OF THESE COUNTRIES OFFERING TECHNICAL ASSISTANCE TO ASSESS PRODUCTION PROBLEMS AND TO RECOMMEND SOLUTIONS.

4. IN DIRECT RESPONSE TO THIS OFFER REQUESTS WERE RECEIVED AND TVA TEAMS OF EXPERTS SENT TO 5 COUNTRIES (PAKISTAN, BANGLADESH, COLOMBIA, ECUADOR, TUNISIA). FIVE COUNTRIES RESPONDED THAT THEIR PLANTS WERE OPERATING WELL OR THAT NO TECHNICAL HELP WAS NEEDED (PERU, INDONESIA, KOREA, PHILIPPINES, NIGERIA). OF THE LATTER GROUP, INDONESIA AND THE PHILIPPINES ALREADY HAD ACTIVE FERTILIZER PRODUCTION IMPROVEMENT PROGRAMS UNDER WAY UTILIZING THESE EXPERTS. THE PROGRAM IN PROGRESS IN BANGLADESH HAS NOW BEEN SPEEDED. AN INTENSIVE FERTILIZER PRODUCTION, DISTRIBUTION, AND MARKETING PROGRAM IS UNDER WAY IN GHANA BY A TWO-MAN TEAM.

5. OUR TEAMS CONFIRM THAT THUS FAR MOST INSTANCES OF POOR FERTILIZER PRODUCTION ARE DUE TO SHORTAGES OF POWER, TIMELY REPAIRS, SPARE PARTS, LABOR PROBLEMS, AND RAW MATERIALS. TEAM RECOMMENDATIONS HAVE BEEN MADE IN 4 CASES (PHILIPPINES, INDONESIA, COLOMBIA, BANGLADESH) AND INDICATIONS ARE THAT PRODUCTION IMPROVEMENTS CAN BE IMPLEMENTED WITH LOW CAPITAL INVESTMENT WHICH WILL INCREASE OUTPUT BY AT LEAST 20 PERCENT.

6. BECAUSE OF THE INDICATED CONTINUING PROBLEMS IN FERTILIZER PRODUCTION IN DEVELOPING COUNTRIES THE U.S. ANTICIPATES THAT THERE WILL BE FURTHER NEED TO ASSIST THEM IN SOLVING FERTILIZER PRODUCTION AND USE PROBLEMS AND IS BUDGETING TO EXPAND TVA'S SERVICES OVER NEXT TWO-YEAR PERIOD. OUR GOVERNMENT WILL ALSO PROVIDE SHORT-TERM ASSISTANCE THROUGH AID'S OFFICE OF ENGINEERING TO DEVELOPING COUNTRIES IN REVIEWING PLANT DESIGNS, FEASIBILITY STUDY REPORTS, AND ANALYZING PLANT OPERATIONAL PROBLEMS.

7. WHILE THE COUNCIL WAS IN SESSION, OUR GOVERNMENT  
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INFORMED THE U.S. FERTILIZER INDUSTRY THAT AID WOULD BE INVITING BIDS ON A WORLD-WIDE BASIS FOR ITS PLANNED FY 1975 PROCUREMENT OF 700,000 TONS OF FERTILIZER FOR BILATERAL PROGRAMS TO INCREASE FOOD PRODUCTION IN CERTAIN DEVELOPING COUNTRIES AND INVITED FREE WORLD FERTILIZER PRODUCERS TO RESPOND TO THE BEST OF THEIR CAPACITY TO THESE BID INVITATIONS.

8. WHILE AN EARLIER INVITATION RESULTED IN ONLY 47,500 TONS ACCEPTED, THE RESPONSE TO THIS RECENT INVITATION PRODUCED OFFERS FOR 143,000 TONS OF WHICH 113,000 TONS WERE AWARDED BUT AT HIGHER PRICES. OF THIS, 57,000 TONS WERE OF U.S. ORIGIN. IF OUR GOAL OF 700,000 TONS FOR FY 1975 IS ACCOMPLISHED TOGETHER WITH ADDITIONAL

COMMERCIAL SALES, WE ESTIMATE THAT ABOUT THREE-FOURTHS OF U.S. EXPORTS OF FERTILIZER IN 1974 WILL BE TO DEVELOPING COUNTRIES COMPARED TO 54 PERCENT IN 1971.

9. IN SUPPORT OF THE INFORMATION SYSTEM OF THE INTERNATIONAL FERTILIZER SUPPLY SCHEME, THE U.S. GOVERNMENT WILL SEEK TO PROCURE AND ALLOCATE FERTILIZERS TO SOUTH VIETNAM, INDIA, PAKISTAN, BANGLADESH, AFGHANISTAN, CAMBODIA AS WELL AS VARIOUS AFRICAN AND CENTRAL AMERICAN COUNTRIES IN CONJUNCTION WITH BILATERAL AID PROGRAMS. WE WILL CONTINUE TO SUPPLY INFORMATION AS IT BECOMES AVAILABLE.

10. U.S. FERTILIZER PLANTS ARE OPERATING AT FULL CAPACITY IN ANTICIPATION OF CONTINUING STRONG DEMAND BY AMERICAN FARMERS FOR FERTILIZER IN THE NEXT SEASON. DATA FOR JULY 1973 THROUGH MAY 1974 INDICATE THAT NITROGEN PRODUCTION IN THE U.S. WAS 5.5 ABOVE THE SAME PERIOD A YEAR EARLIER. NITROGEN PRODUCTION CAPACITY WILL INCREASE IN FISCAL 1975 WITH TWO NEW PLANTS EXPECTED ON STREAM PLUS RENOVATION OF A FEW OLDER PLANTS, SO U.S. NITROGEN PRODUCTION COULD INCREASE 6 OVER 1974. ALTHOUGH SEVERAL NEW PHOSPHATE PLANTS WILL BEGIN PRODUCTION THIS CROP YEAR, MOST WILL BE IN THE SPRING. CONSEQUENTLY, THE PHOSPHATE SITUATION COULD DETERIORATE BEFORE THE INCREASE IN SUPPLY IS REALIZED. BY MID 1976  
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THE SUPPLY OF PHOSPHATE COULD BE UP 12 OVER THIS PAST YEAR.

11. YOU MAY BE ASSURED THAT THE UNITED STATES GOVERNMENT WILL CONTINUE TO SUPPORT THE EFFORTS OF FAO IN IMPLEMENTING THE INTERNATIONAL FERTILIZER SCHEME. END OF QUOTE. KISSINGER

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